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THE ONTARIO PUBLIC SCHOOL BOARDS' ASSOCIATION

REPORT TO MEMBER BOARDS

RETIREMENT GRATUITIES

FEBRUARY, 1992

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THE ONTARIO PUBLIC SCHOOL BOARDS' ASSOCIATION

Report to Member Boards

Retirement Gratuity

On November 22, 1991, the Operations Committee of OPSBA considered the resolution by the Muskoka Board of Education and responses to this resolution from member boards concerning the issue of retirement gratuities.

The following recommendations were approved:

THAT OPSBA prepare a background document and information concerning retirement gratuities to member boards for local consideration.

THAT OPSBA develop a strategy to communicate and take a unified approach to limiting retirement gratuities during negotiations.

THAT OPSBA develop a methodology and provide examples to support those boards who may be targeted to reinstate a grandparented or limited retirement gratuity.

THAT the Director of Labour Relations or designate be available to present the background document to OPSBA regional meetings.

Sections:

Introduction

1.0 Background report on Retirement Gratuities

1.1 History of Retirement Gratuities
1.2 Issues Relevant to Retirement Gratuities

2.0 Alternatives to Retirement Gratuities

2.1 Alternatives Currently in Place
2.2 Solutions and Strategies

3.0 Conclusions

4.0 Recommendations

INTRODUCTION

The Education Act, Section 231, legislates that teachers may be absent for illness for 20 days a year without loss of salary and that days may be pro-rated for part-time teachers.

Since most teachers would use less than half of these days in any given year, an accumulation of unused sick leave days was permitted. When allowed to accumulate, these days would provide at least a partial and at best a full long term illness protection.

It was this accumulation of sick days that formed the basis for most retirement gratuity plans across the province. The accumulation protected those who had the misfortune to become ill for extended periods of time and served as a benefit plan for income protection. However, unused accumulation became the basis for negotiating retirement gratuity plans and unused days became a supplement to pension provisions.

The renewed focus on the issue of retirement gratuities is two-fold. First, the provisions which established income protection for long term illness has been provided for by the subsequent establishment of Long Term Disability Plans by boards of education for their teachers and significantly improved pension provisions. Second, the retirement gratuity is paid out at the salary at time of retirement rather than the rate at which the days were accumulated which creates increased liability for boards of education, as more teachers become eligible to retire and salaries continue to increase.

The following discussion paper is intended to identify and discuss the issues surrounding retirement gratuity and provide for potential alternatives to be considered by boards of education.

1.0

RETIREMENT GRATUITIES

BACKGROUND REPORT

1.1 Historical Background

1.2 Issues Relevant to Retirement Gratuities

HISTORICAL BACKGROUND

1.1 Retirement Gratuity

Retirement gratuities are permissive under Section 158 (1) of the Education Act. As legislated, a gratuity pay-out cannot exceed 50% of an employees salary:

> **"A board, by resolution, may establish a system of sick leave credit gratuities for employees or any class thereof provided that on the termination of his employment no employee is entitled to more than an amount equal to his salary, wages or other remuneration for one-half the number of days standing to his credit and, subject to subsection (1b) earnings at the rate received by him immediately prior to termination of employment. R.S.O. 1980, c. 129, s. 158 (1); 1984, c. 60, s. 11 (1)."**

The permissiveness of retirement gratuities under the Education Act resulted in negotiated provisions being included in collective agreements between teachers and boards of education. A further extension of this benefit occurred for some or all board of education employee groups.

During the latter part of the 1970's and early 1980's, several boards of education had success in capping or limiting their liability for retirement gratuities. Currently, in the Province of Ontario, twenty-five (25) public elementary collective agreements and fifteen (15) public secondary collective agreements have provisions which limit retirement gratuities.

Boards of education in the Province of Ontario have benefit plans which continue pay employees while absent due to illness. In addition, these plans allow for the accumulation of unused sick leave days. Although collective agreements vary, employees upon termination of employment, retirement or death, may receive a gratuity for the unused portion of their sick leave.

Sick Leave

Most sick leave plans initially provided a benefit of one (1) day for each month of service beyond the probationary period. Gradually the benefits increased to one and a half (1 1/2) days and subsequently to two (2) days per month. Employees with many years of service who had the good fortune to enjoy good health during their careers would end up at retirement with a significant amount of accumulated sick leave credits.

The retirement gratuity aspect was introduced as a result of this accumulation. The fact that ultimate pay-out would be made at the daily rate of earnings in effect at retirement, rather than the daily rate at which the credits were banked results in increasing liability.

Over the years, further amendments were made to provide for the payment of a retirement gratuity to include termination or death, subject to a minimum service requirement ranging from two (2) to ten (10) years of service.

The Association of Large School Boards in Ontario (ALSBO) established a Task Force on Retirement Gratuities, and in its report in February 1986, raised issues and questions which need to be addressed as retirement gratuities remain in existence in the 1990's.

Cumulative Sick Leave

"The following are some observations and opinions by the Association of Large School Boards Task Force on Retirement Gratuities concerning cumulative sick leave benefits in general:

1. Sick leave benefits provide inadequate protection for short-service employees, e.g., it takes a new employee over seven years to accumulate sufficient credits (in days) to maintain full salary until the commencement of long term disability benefits, assuming no absences during the first seven years of service.

2. Short-term disability income benefits which are communicated as "sick leave credits" are often viewed by employees as an "earned right", to be taken whenever they desire additional time off for personal reasons. Sick leave benefits are generally not administered effectively for the initial absence of only one or two days - thus employees perceive they can call in "sick" for almost any reason.

3. Sick leave benefits provide little protection to an employee who suffers from a series of short-term illness or disabilities, or who has a chronic health problem. The individual may never be sick long enough on a continuous basis to qualify for long term disability benefits, but will possibly utilize all or a major portion of each year's sick leave credits.

4. It is obvious that sick leave benefits do not provide for smooth integration with long term disability benefits, or disability benefits under the Canada Pension Plan.

5. The provision of lump sum gratuities of up to six month's salary at date of termination of employment (death or retirement) is an unnecessary and unjustifiable benefit which bears no relationship whatsoever to an employee's needs.

The concept of the payment of a gratuity for all, or a portion, of unused sick leave was introduced originally in the hope that it would encourage the retention of sick leave credits. This was before the availability of insured long term disability plans. However, the concept has now become well entrenched despite the long-term cost implications for an employer. Assuming a modest salary increase of 5% per annum, for an employee thirty years of age, earning $15,000 per year in 1985, the six month salary pay-out at age sixty-five would be approximately $41,000!

6. While there is some pre-funding of the eventual sick leave gratuity liability, benefits are usually paid as required out of current revenues each year. This effectively means that taxpayers in the future will be required to shoulder an ever increasing liability which bears no relationship to needs, and to which very few taxpayers are similarly entitled.

"The Wyatt Report on "Sick Leave Gratuities and Resultant Liabilities", prepared for the Ministry of Education and released in August 1976, is often quoted by administrators with a vested interest in preserving the status quo. "The cost of gratuities will increase with the time as a percentage of payroll, but on a province-wide basis will not exceed 2% of payroll by the year 2004".

The 2% cost is viewed as an insignificant factor in relation to total costs. However, when payroll costs represent 75-85% of a typical school board's operation costs it takes on a different perspective.

Using a small school board with earnings at the industrial wage of approximately $25,000, the estimated pay-outs can be projected using the Wyatt 2% formula:

Assumptions:

(1) 500 employees;
(2) average earnings - $25,000
(3) total payroll - $12,500,000
(4) payroll increases of 5% per annum

Estimated Pay-out Costs:
(1) 1985 - $250,000
(2) 1990 - $319,070
(3) 1995 - $407,222
(4) 2000 - $519,733
(5) 2005 - $663,325

When the financial liability for a large school board is considered as a percentage of the total board budget, the cost of maintaining the gratuity (as is, without modification) points out the implications for the local taxpayer:

The board's budget in 1981 was $200,000,000.00. The gratuity portion was $15,000,000.00 or 7.5% of the total budget.

In 1985, the board's budget was $260,000,000.00. The gratuity portion was $28,000,000.00 or 10.8% of the total budget. The increase in total budget from 1981 to 1985 was 30%, however, the increase in the gratuity portion of the budget from 1981 to 1985 was 86.6%.

The cost per year may appear insignificant (example 1) but to the taxpayer it is seen as an additional expense, which over a longer time period (e.g. 20 years) could total many millions of dollars. It also represents an unreasonable percentage of the overall budget (example 2) which is not being used in the delivery of educational services to students.

1.2 Issues Relevant to Retirement Gratuities

Many attempts to eliminate the gratuity aspect of sick leave plans have failed because of a perception by employees the "benefits were being taken away". Experience has clearly shown that an employer cannot take away benefits accrued to date. But steps can be taken which will protect acquired rights while providing true needs-related disability income benefits on an equitable basis for all concerned. Employees must be convinced that a revised disability income program will provide significantly improved benefits in the event of illness or disability and that credits retained to date under the former plan are fully protected.

Some school boards, have recognized the general inequity of incurring a liability today at a cost of "x", and have begun a modest prefunding program. Others have chosen to simply reflect the growing liability as a footnote to their annual financial statements. In time, this practice could have a negative impact upon future mill rates.

Trustees must ask themselves a number of questions related to gratuities:

1. **Will the board have a financial problem when aging teacher reach retirement?**

2. **What effect will this have on the local mill rate?**

3. **What can the board do to lessen or alleviate the problem in the future?**

4. **What percentage of payroll, over the long term, will gratuity liabilities cost?**

5. **Does the board have a procedure to determine contingent liabilities?**

6. **Does the auditor's report identify the contingent liabilities?**

ALSBO Task Force Summary

The current situation regarding retirement gratuities is characterized by the following:

1. annual increases in salaries which create larger retirement gratuities into the future - see Appendix A: Increases in Maximum Teacher Salaries Projected at 4% per year.;

2. profiles for staff aging which show increasing numbers of employees eligible to receive retirement gratuities in the short-term - see Appendix B: Typical Staff Age Distribution (growth board);

3. increased board resources which must be allocated to pay retirement gratuities, resulting in increases in the mill rate for the local taxpayer - see Appendix C: Increasing Liability.

Background Summary

Since the identification of the liabilities which currently exist with retirement gratuity provisions, the provincial federations have been very clear that any erosion to current retirement gratuities is a strike issue. Further, attempts are being made to reinstate gratuities which were successfully capped or limited. This issue is current with the Elgin County Board of Education and the Ontario Secondary School Teachers' Federation who began their strike on October 16th, 1991 with two main issues in dispute, salaries and retirement gratuities. The strike ended on December 2, 1991 with the loss of thirty-three (33) instructional days. The Elgin County Board of Education retained its limited retirement gratuity provisions.

What the Federations/Unions are telling the Employees

As a result of the successful capping or limitations placed on several retirement gratuity plans in the late 1970's and early 1980's many boards of education continued to attempt to negotiate revisions at the local level.

In 1987, OSSTF published pamphlets and a video to promote their interests on the issue. (Appendix A) As well, teacher federations have taken a very active role at the local level to prevent school boards, at negotiations, from reducing their liability for retirement gratuity payments.

The Federations/Unions argue:

(a) **That the Education Act, Section 158(1) implies a right to a retirement gratuity.** This section of the Act is permissive and came into being when salaries and benefits were much lower.

(b) **That retirement gratuities reduce the abuse of sick leave and therefore saves the board money**. The high standard and professionalism of our teachers would suggest that sick leave privileges would not significantly increase.

(c) **That gratuities were negotiated by boards of education, in good faith, and any alteration result in "contract stripping"**. This could be true of any enhancements to the current provisions of a collective agreements as well.

(d) **That once a benefit is reduced or removed, other current provisions will follow**. Teacher benefits and working conditions have continued to improve over the years, despite the limited resources available to school boards.

(e) **That there is no trade-off for retirement gratuity, it is non-negotiable**. The purpose of Bill 100 is to provide a process for meaningful discussion and negotiations.

Clearly, retirement gratuities will continue to be a major issue in dispute between the parties, with no simple or easy solution.

The Provincial Communications Office has just produced a 12-minute videotape on retirement gratuity which should be must viewing in areas where school boards have raised it in current negotiations. Vice-President Jim Head both directed the production and interviewed the five individuals listed below. (Also ask about a brochure on the same topic)

What they say about retirement gratuity

JOHN McNEIL, a highly respected former Secretariat member and negotiator

KEN ROBINS, the negotiator for Perth County OSSTF members since 1975, the year that Bill 100 became law

SAL PENGELLEY, now serving her second term as the elected OSSTF Superannuation Commissioner

EILEEN KONKIN, a Secretariat negotiator, and a respected voice for women's rights.

ORLON HALL, the recently retired General Manager of the Fraternal Society, now a consultant

EILEEN KONKIN

I POSITIVELY DON'T THINK THAT GRATUITY SHOULD BE GIVEN UP. I SEE NO REASON FOR IT ...!

ORLON HALL

(GRANDFATHERING) IS A COP-OUT ON THE PART OF THE TEACHER NEGOTIATORS. THEY HAVE TO THINK IN TERMS OF LONG-TERM BENEFITS AND NOT WHAT THEY COULD GET TODAY ...

JOHN MCNEIL

BASICALLY, WHAT YOU'RE TALKING ABOUT IS A HALF YEAR'S PAY. IF SOMEBODY TRIES TO TAKE HALF A YEAR'S PAY AWAY FROM ME I GET ANGRY ABOUT IT!

KEN ROBINS

IF THE GRATUITY DISAPPEARS, THERE IS NO NEED FROM THE BOARD'S POINT-OF-VIEW TO HAVE ACCUMULATED SICK LEAVE. WE HAVE TO STOP THAT KIND OF EROSION IN OUR BENEFITS PACKAGE.

SAL PENGELLEY

WOMEN FAR MORE THAN MEN NEED TO BE CONCERNED ... THERE'S NO TRADE-OFF!

THE ONTARIO TEACHERS' FEDERATION TOOK THIS STRONG STAND ON YOUR BEHALF:

The 1986 Annual Meeting of the Board of Governors of the Ontario Teachers' Federation passed the following resolution:

That the Board of Governors recommend to the Affiliates that they take the strongest position possible during branch affiliate negotiations to ensure the continuation of sick leave credit or service retirement gratuities at a level which is at least equal to those existing in

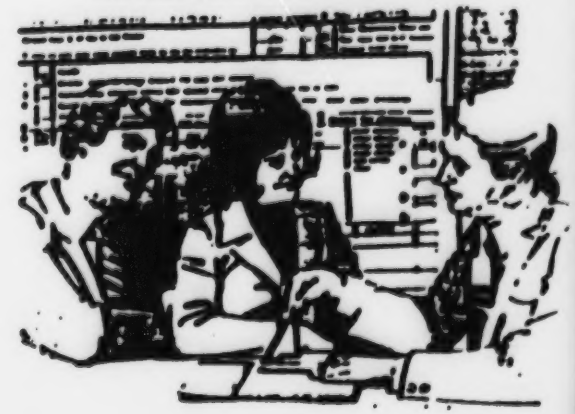
WORTH REMEMBERING

* Elementary teachers in the Region of Peel recently voted down overwhelmingly (88%) a contract which would have "grandfathered" their retirement gratuity.

* The Ontario Public School Teachers' Federation recently warned its members: 'Improvements in working conditions, salary or benefits must not be purchased by limiting the retirement gratuity through grandfathering, capping of the payment or any other method'

THE OSSTF PROVINCIAL COMMUNICATIONS OFFICE HAS PRODUCED A 12-MINUTE VIDEO ON THE RETIREMENT GRATUITY ISSUE UNDER THE DIRECTION OF VICE-PRESIDENT JIM HEAD. COPIES ARE AVAILABLE THROUGH THE RESOURCE CENTRE, OSSTF, 60 MOBILE DRIVE, TORONTO, ONTARIO M4A 2P3.

Why you should be concerned about ...



YOUR SICK LEAVE CREDITS and GRATUITY

DON'T NEGOTIATE AWAY YOUR FUTURE!

APPENDIX A

Increases in Maximum Teacher Salaries Projected at 4% Per Year

***Salary Grid - Maximum Elementary**

Year	CAT.1	CAT.2	CAT.3	CAT.4	CAT.5	CAT.6	CAT.7	Percent
1985	25,528.00	28,894.00	32,023.00	37,484.00	39,367.00	43,083.00	45,220.00	4%
1986	26,550.18	30,049.76	33,303.92	38,893.36	40,841.40	44,806.32	47,028.80	4%
1987	27,612.17	31,251.75	34,636.08	40,542.69	42,579.35	46,598.57	49,909.95	4%
1988	28,716.65	32,501.02	36,021.52	42,164.40	44,282.52	46,596.57	49,909.95	4%
1989	29,865.32	33,901.89	37,462.38	43,850.98	46,053.82	50,401.02	52,901.00	4%
1990	31,059.93	35,153.97	38,960.88	45,605.02	47,895.97	52,417.06	55,017.04	4%
1991	32,302.33	36,560.13	40,519.31	47,429.22	49,811.81	54,513.74	57,217.73	4%
1992	33,594.40	38,022.53	42,140.08	49,326.89	51,804.29	56,694.29	59,506.44	4%
1993	34,938.20	39,543.43	43,825.69	51,299.54	53,876.46	58,962.06	61,886.69	4%
1994	36,335.73	41,125.17	45,578.71	53,351.42	56,031.52	61,320.54	64,362.16	4%
1995	37,789.16	42,770.18	47,401.86	55,485.48	59,272.78	63,773.36	66,936.65	4%
1996	39,300.72	44,480.99	49,297.94	57,704.90	60,603.69	66,324.30	69,614.11	4%
1997	40,872.75	46,260.22	51,269.85	60,013.09	63,027.84	68,977.27	72,398.68	4%
1998	42,507.66	48,110.68	53,320.65	62,413.62	65,548.95	71,736.36	75,294.62	4%
1999	44,207.97	50,035.06	55,453.47	64,910.16	68,170.91	74,605.82	78,306.41	4%
2000	45,976.29	52,086.46	57,671.61	67,506.57	70,897.74	77,590.05	81,438.67	4%

Source: ALSBO Task Force on Retirement Gratuities, February 1986

APPENDIX B

TYPICAL STAFF AGING TRENDS (Growth Board)

Retirement Trends
Courtesy of the Peel Board of Education

Mandatory Retirement at age 65 Academic and Business - 10 Year Projection

Year (19)	86	87	88	89	90	91	92	93	94	95	96
Elementary Teachers	01	05	03	05	04	15	06	12	12	20	27
Secondary Teachers	02	06	02	06	04	10	14	15	25	21	49
Business Staff	01	16	12	14	13	27	32	27	28	39	40
TOTALS	04	27	17	25	21	52	52	54	65	80	116

Teaching Staff With 90 Factor - 10 Year Projection

Year (19)	86	87	88	89	90	91	92	93	94	95	96
Elementary Teachers	13	19	13	31	33	35	39	44	49	60	64
Secondary Teachers	15	15	16	17	21	35	43	65	37	53	57
TOTALS	28	34	29	48	54	70	82	109	86	113	121

Distribution of Staff by Age - (Academic and Business)

Age Span	10-19	20-29	30-39	40-49	50-59	60+
Percentage of Academic Staff	.00	.06	.47	.33	.12	.02
Percentage of Business Staff	.01	.10	.20	.32	.28	.09
PERCENTAGE OF TOTAL STAFF	.00	.08	.40	.32	.16	.04

Average age of Elementary Staff - 39
Average age of Secondary Staff - 41
Average age of Business Staff - 44

Statistics compiled October 8, 1985

Source: ALSBO Task Force on Retirement Gratuities, February 1986

APPENDIX C

INCREASING LIABILITY

RETIREMENT PROJECTION SUMMARY
LIABILITIES BY YEAR - BASED ON 50% OF SALARY WITH 4% COMPOUNDED INCREASES
ELEMENTARY – AGE 7 YEARS EXPERIENCE = OR > 90 AND YEARS EXPERIENCE = OR > 35

PROJECTION YEAR PAYABLE	EMPLOYEE COUNT	TOTAL GRATUITIES
1985	4	81,704.50
1986	3	77,826.84
1987	7	159,447.82
1988	8	195,476.56
1989	6	182,096.60
1990	7	210,901.21
1991	18	507,702,04
1992	12	381,735.15
1993	8	237,457,54
1994	6	184,308.80
1995	13	446,566.45
1996	8	318,052.47
1997	18	690,608.62
1998	21	779,784.01
1999	25	932,646.16
2000	26	1,020,270.36

Source: ALSBO Task Force on Retirement Gratuities, February 1986

2.0

ALTERNATIVES TO

RETIREMENT GRATUITIES

2.1 Alternatives Currently in Place

2.2 Solutions and Strategies

A. Modifications and Limitations to Retirement Gratuities

B. Support to Resist Reinstatement of Retirement Gratuities

ALTERNATIVES TO RETIREMENT GRATUITIES

2.1 Alternative Currently in Place

As part of the ALSBO process to examine the issue of retirement gratuities, the Task Force examined the alternatives which are currently in place, including the private sector, public sector and education system:

"Through interviews conducted with corporations and businesses in the private sector, it was learned that there were few, if any, formal retirement gratuity plans in place which are similar to those found in education. As well, many public sector bodies, including the Ontario government, have negotiated alternatives which help to limit the financial liability involved in service gratuity pay-outs. However, very few school boards have taken the initiative and followed the lead of these employers.

Samples of the types of alternatives in place are included here for reference.

The Private Sector

Unlike many public service organizations, the private sector does not acknowledge a relationship between sick leave days and a retirement gratuity.

1. Sick Leave

Many corporations consider sick leave as a short-term income protection plan which covers an employee until disability coverage starts. Non-cumulative sick leave plans are almost universal in the private sector with employees earning paid sick days in direct relation to the number of years of service. Information obtained from the Towers, Perrin data base of 265 Canadian

Employers shows that only 8.5% of these employers had cumulative sick leave plans. Furthermore, about one-half of the 8.5% are in fact Crown Corporations or privatized Crown Corporations.
Most employers had in place some form of employer paid short-term/long-term disability plans.

2. Retirement Gratuities

While many companies didn't appear to have a formal gratuity policy, the general practice seemed to involve a gift usually presented at a company sponsored dinner. These gifts range from the standard "gold watch" to T.V. sets, and in some cases, a company paid trip for two. Lump sum payments of cash were not a policy or practice of any of the companies interviewed. In fact, Towers, Perrin stated that this practice was limited (in most cases) to the public sector.

3. Summary

The rationale for allowing the accumulation of sick days year after year and the subsequent conversions of these credits to a cash bonus may have been justified in the past; however, with today's superior pension plans, Long Term Disability coverage, etc., the private sector has obviously concluded that many past practices were obsolete and consequently changes were made. Can the public sector afford to ignore this?

Put into simple terms, a Sick Leave Plan is a desirable benefit, which protects a small group of employees who might suffer income disruption through serious illness. It is not a scheme to benefit 100% of the employees generally in a good state of health.

The Public Sector

The issue of retirement gratuities exists mainly in the public sector including as well as school boards many municipalities and the provincial government. Recognizing that the situation requires change to reduce the future liability while providing realistic benefits based on employee needs, some employers in the public sector have taken action to modify or replace gratuity plans.

Two examples of alternatives developed and instituted are highlighted: The Corporation for the City of Windsor, and the Ontario Government.

1. Corporation for the City of Windsor

In the past, the Corporation for the City of Windsor had made numerous attempts to bring about changes in their retirement gratuity without any success. In the negotiations for the January to December 1983 collective agreement, the City was able to negotiate a grandfathering clause. The grandfathering clause precludes employees hired after January 1982 from being entitled to a retirement gratuity.

Negotiations began in December 1983 for the renewal of the agreements between the inside and outside C.U.P.E. workers and the City of Windsor. That agreement was expiring on December 31, 1983. Right from the beginning, the City made it clear that it wanted substantial amendments made to the retirement gratuity in order to reduce its future liability. The City shared information with C.U.P.E. which showed that the present liability of the retirement gratuity was $12,000,000 and growing. That is, if everyone cashed in their retirement gratuity at the end of 1983 it would cost the City $12,000,000.

The position of the City of Windsor was made clear to the Union. The City was prepared to take a strike on this issue and it became the most important item in the negotiations. The City also made it clear that it was prepared to negotiate alternatives, particularly in relation to the establishment of an L.T.D. plan.

The negotiations were difficult and protracted. Finally, in July of the 1984 an agreement was reached which included substantial modifications to the retirement gratuity. The basic features of the modifications were capping the retirement gratuity and freezing its value. At the same time, the parties agreed to institute a L.T.D. plan.

The capping of the retirement gratuity is based on the amount of sick leave credits accumulated by an employee as of 1986. For instance, if an employee had accumulated 200 sick leave credits as of 1986, he/she is entitled to 100 (50%) days of retirement gratuity provided that the employee has 200 sick leave credits at the time of his/her retirement. An employee is allowed to accumulate sick leave credits at the rate of 18 days per year and is allowed to exceed the 1986 levels but only the accumulated credits up to 1986 are included in the calculation of his/her accumulation to the 1986 level for retirement gratuity purposes.

The value of retirement gratuity is based on the salary schedule in effect for 1986. For instance, if an employee was to retire in 1986 and he/she had accumulated 200 sick leave credits, that employee is entitled to a retirement gratuity of 100 days times the daily salary based on the 1986 salary schedule. This amount is frozen no matter when the employee retires. The employee is eligible for this amount provided that he/she has the required credits (200 days) at retirement.

The Corporation for the City of Windsor and the inside and outside C.U.P.E. workers negotiated an L.T.D. plan. The plan has a 119-day waiting period and provides benefits equal to 66 2/3 of the employee's salary at the time he/she becomes eligible for L.T.D. benefits. The premiums for the L.T.D. plan are paid by the City.

2. The Ontario Government

In the early 1970's, the Ontario Government set up a Committee to study government productivity, with an important area of focus to be the effectiveness and equity of fringe benefits. The conclusion of this Committee was that a comprehensive sick leave plan needed to be developed to give income protection based on need. It was determined there was not enough protection for the employee who has a long-term illness and there was potential abuse in the utilization of the sick leave.

These conclusions lead to the recommendation to discontinue the entire accumulated sick leave plan (which included the retirement gratuity plan), and replace it with a comprehensive and equitable sick leave plan to provide income protection based on need. With the shift in approach away from entitlement for attendance to income protection based on need, the new plan was intended also to control the potential abuse in the utilization of sick leave and, in turn, reduce the government's overall costs in this area.

Old Plan

The basic components of the sick leave plan that the Committee proposed eliminating is as follows:

(a) Short-Term Sickness - Attendance Credits

Employees were advanced 15 days attendance credits at the beginning of each attendance year.

At the end of each attendance year, employees could elect to receive a cash "bonus" by converting a portion of unused attendance credits in that current year.

Employees who qualified for attendance gratuities on retirement or involuntary termination of employment were entitled to a cash gratuity of 50% of unused credits not exceeding six months' pay. This applied only to employees hired prior to 1970. Employees hired after that date qualified for severance pay of one week per year of service (with no limit) under certain conditions.

(b) Long - Term Sickness

A Long Term Income Protection Plan provided benefits for employees who become disabled. This was an insured plan where the premiums were shared by employer and employees on a 75%-25% basis, respectively.

Disadvantages identified in this plan were:

1. It gave only limited protection to short service employees. It took over eight years of service without sickness for an employee to accumulate enough attendance credits to cover him/her during the waiting period of six months required under the Long Term Income Protection Plan.

2. The cost of the plan was high at approximately 5.12% of payroll (including attendance bonuses, attendance gratuities and Long Term Income Protection). One of the main reasons for the high cost was that the plan tended to create an attitude of entitlement which encouraged abuse.

New Plan

The Sick Leave Plan recommended by the Committee was first introduced in 1975 for management categories of employees. The new plan was adopted on the following basis:

- The new plan completely replaced the sick leave plan outlined above;
- Any accumulated sick leave presently held by an employee could be retained, but no further accumulations could occur;
- In each calendar year each employee would have available 6 days at full pay and 124 days at 75% pay to be used to protect income in the event of absence due to illness, accident or other disability.
- The six-month plan would be reinstated at the beginning of each calendar year except where employees are off on leave without pay, in which case it would be reinstated following one month's return to active work;
- New employees would be entitled to this plan following one month's service;
- While an employee is absent due to illness, accumulated credits may be used to supplement the portion of the plan at 75% pay to 100% pay using 1/4 day of accumulated credits per day of absence. In effect, if an employee wishes to use this supplement provision, each accumulated day provides 4 days at full pay;
- As there will no longer be an accumulation of credits, the attendance bonus would be discontinued effective 1 October, 1985;
- The Government will continue subsidies of OHIP and the other group insured plans during absence for illness;
- The cost of this plan will be born totally by the Government.

As part of this new plan, the following changes in gratuity and severance pay occur:

- Employees hired prior to 1 January 1970, and who have 5 or more years continuous service, may on termination, convert half of all accumulated sick leave credits to a gratuity payment to a maximum of six months' salary. In addition, from the date of implementation of the new plan where such employees terminate for any reason (except dismissal for cause or abandonment) they would receive one week's severance pay per year of service, the total payment not to exceed six months' salary. In no case will an employee receive less gratuity for severance pay on termination than currently provided under the collective agreement.

Employees hired on or after 1 January 1970, would be eligible for one week's severance pay for each year of service on termination:

- because of retirement, disability, death or work force reduction;
- after one year of service, as provided under the current agreement;
- for any reason (except dismissal for cause or abandonment);
- after ten years of continuous service.

No termination payment to exceed six months' pay.

How the New Plan was Presented to the Union

In 1978, the elimination of the accumulated sick leave plan, attendance bonuses and retirement gratuities, and the adoption of the same plan as management received in 1975, was presented by the Government to all the Ontario Public Services union on the basis of the advantages outlined below:

1. Employees with a bank of credits will only be required to use 31 days attendance credits to provide full pay for 6 months, whereas at present it would require 130 days;

2. An attendance gratuity would be available to employees hired prior to 1 January 1970, with 5 or more years of service, where at present 10 years is required;

3. Attendance gratuity and severance pay (from date of new plan) to a maximum of 6 months pay in total are available to employees hired prior to 1 January 1970, while at present no severance pay is available to employees hired prior to 1 October 1965, and only available for employees hired between 1 October 1965, and 1 January 1970, who separate due to retirement, disability, death, or work force reduction;

4. Employees hired after 1 January 1970, can now receive separation pay after 10 years' continuous service if they resign, where they are only eligible now on involuntary termination;

5. The Government will continue subsidies for OHIP and the other insured benefits during the 6 months' absence at 75%, where at present employees off ill with pay are required to pay the full premium for these plans. For a married employee this could amount to a monthly saving of over $41.00. It is also intended that if an employee is receiving payments under the LTIP plan, benefits not paid for by the plan, benefits not paid for by the plan would continue to be subsidized;

6. The new plan will give eligible employees a lump sum payment on separation regardless of their health status over their working years;

7. Combined with the LTIP plan the new short term disability plan gives continuous income protection to an employee with a serious long-term disability;

8. The new plan will qualify employees for the maximum rebate under the Unemployment Insurance program.

Success of Ontario Government New Sick Leave Plan To-Date (1986)

Ten years since the inception of the new plan, and 7 years since its adoption across the entire Ontario Public Service, the plan has been assessed as reasonably successful in meeting its objectives.

Certainly, there is no dispute that it provides income protection based on need. It has somewhat controlled the potential abuse in the utilization of sick leave as the current rate of sick leave utilization has dropped for management since 1975 from 10 days/year to 6 days/year; and for unions since 1978 from 15 days/year to 9 days/year.

The new plan has helped control the overall costs of the sick leave plan in the government. It remains, since 1975, at approximately 5% of the total payroll budget.

Summary

With respect to the aspect of the Ontario Sick Leave Plan, of particular interest to the ALSBO Task Force - the control of the retirement gratuity costs - it should be noted that with its introduction, the Retirement Gratuity Plan was not really eliminated. The Retirement Gratuity based on accumulated sick leave credits was replaced by a Service Gratuity based on years of continuous service. **It is important to note also that the Retirement Gratuity Plan in 1975 represented .52% of total payroll budget, while the Service Gratuity plan currently makes up 1.19% of total payroll costs.** The funding of these gratuities has always been through current year budget allocations.

University and Colleges

In November of 1989, Martin Teplitsky, Mediator/Arbitrator issued an arbitration award between the Ontario Council of Regents for Colleges of Applied Arts and Technology and The Ontario Public Service Employees'

Union to settle those contract issues in dispute. One of the areas dealt with, in this award, was sick leave and retirement gratuity provisions.

In the award, Mr. Teplitsky makes the following comments concerning sick leave:

"At least since 1981, the Collective Agreement expressly recognized the employer's intention to change the current plan with its retirement gratuity and the Union's intention to protect existing employees' vested rights. For reasons which I have elaborated on other occasions and I will not repeat here, the retirement gratuity is an anachronism which has lost all rational support. If reasonable provisions are made to protect against short and long-term illness, there is no reason not to remove it for new employees. The desire to achieve a cash windfall if one is fortunate not to become seriously ill early in one's career, or seriously ill too often, is not sufficient reason.

Accordingly, I accept the principle of the employer's proposal but I have added several significant features to provide greater fairness to new and existing employees. For example, I have added a cumulative feature for new employees and I have provided for an optional buy-out for existing employees. The new plan, with these features, shall come into effect on April 1, 1991."

The following is a summary of the provisions of the arbitration award. (A full copy of the award is available through the Data Research Service at OPSBA.)

1. All employees are entitled to 20 days cumulative sick leave per year;
2. Additional coverage at 75% after accumulated sick leave is exhausted until LTD triggers in;
3. LTD, after accumulated sick leave has been exhausted and after additional coverage of 75% is completed;

4. employees, as at April 1, 1991 will continue to maintain a right to cash-out" their accumulated sick leave on termination or retirement in accordance with the formula;
5. At the employees' option, an early buy-out of the accumulated sick leave is available.

This arbitration provided for the protection of existing staff, with an option of a buy-out and established a short-term sick leave plan for other employees. The buy-out provisions stated:

"This will confirm the entitlement of full-time members of the bargaining unit who are employed at St. Lawrence College as of March 31, 1991: (c) employees who qualify to have their credits purchased will have them cashed out in full, at the rate of 75 cents on the dollar, on the amount that would otherwise be payable on separation from employment (based on the entitlement as of the date of cash-out) under the terms of the pre-existing Cumulative Sick Leave Plans. A person who so cashes out his or her credits shall not thereafter be entitled to any further gratuity on separation from employment, but shall continue to accumulate credits for sick leave purposes."

The arbitrator found that if reasonable provisions are made to protect employees, than another more appropriate plan for short-term and long-term illness should prevail.

The Education System

While few school boards have negotiated similar alternatives to those found in the private sector and some parts of the public sector, one school board - the Lincoln County Board of Education - has implemented an alternative based on a reserve fund and a combination severance pay and professional development plan.

The Reserve Fund

A reserve fund has been created for the purpose of funding retirement gratuities. It is expected that this reserve fund will reach a break even position at approximately the year 2000. It was started in 1981.

Using board records in the year 1980, statistics were developed for all retirements during the period 1981 to the year 2000 inclusive. Based on a retirement gratuity recognized when -

(a) a combination of experience plus age = 90 ("A" pension)

(b) age = 65 years

Assumptions were made with respect to salary increases over the same period. Assumptions were also made with respect to change in taxable assessments.

Using all of this data, a projected gratuity requirement was determined for each of the years 1981 through 2000. At the same time a mill rate level was established for each of the years 1981 through 2000. Each year the mill rate was increased slightly.

With the double benefit of an increased assessment (increased mill) and an increased mill rate each year a gratuity reserve allocation was generated. From this was subtracted the estimated gratuity which would have to be paid out each year. The difference between the reserve allocation and the gratuity pay-out is then set up as a retirement gratuity reserve each year.

Using this method, it was identified that the reserve allocation is positive until the year 1990 in the elementary panel and 1988 in the secondary panel. After that time the reserve utilization shows to be greater than the amount generated by the mill rate.

The reserve balance each year is invested and thereby generates further reserve funds. A 20-year span was covered with the figures created for an intentional break even at the year 2000.

It is intended this information will be updated approximately every five years to ensure an even flow of cash availability versus spending. It is guessed that the fund will not be needed after the year 2005 or 2010 at the very latest, because of the implementation of alternative 2.

The Severance Pay and Combined Professional Development Plan

This approach was negotiated in the 1981 year with optional retroactivity for employees back to 1978.

For each teacher hired after August 31, 1980, a specific sum is set aside for the funding of a SEVERANCE ALLOWANCE and a further sum is allocated to a SPECIAL FUND.

Teachers become eligible for a severance allowance upon termination, after a minimum of a five-year waiting period during which time there will be no severance allowance upon termination.

A teacher who terminates after five years will receive the initial principal deposit to the severance fund in his/her name, plus a percentage of all earnings on that deposit during the teacher's tenure with the Board. The percentage of earnings available to the teacher is graduated according to length of service.

Special conditions exist whereby if a teacher is laid off for any reason other than cause, he or she may leave his/her severance allowance in the fund for up to two years during which time, if they return to employment with the board, their fund will continue.

No teacher will receive a severance fund payment more than once. That is, a teacher who terminates and collects from the severance fund and returns to the board at a later date, will not receive a second severance fund deposit in his or her name.

With respect to the SPECIAL FUND, it is intended that the money allocated by the board to this fund will be used for such situations as limited term special teaching assignments in high priority areas and/or teacher development. Recommendations concerning the disbursement of this special fund are made to the appropriate Superintendent by a committee composed of three teacher representatives and three board representatives. There is a separate committee for each panel, elementary and secondary. It is agreed that any teaching assignments arising from these monies shall be considered as being outside the negotiated average class size.

It is believed that benefits accrue to both the teacher and the board from this system.

Teacher benefits:

1. A teacher who has been with the board at least five years is assured a lump sum payment when he/she terminates. In a time of high mobility the teacher takes with him/her any benefits he/she has accrued over the years with the board.

2. The employee may use up all of his/her sick leave credits and still receive his/her full severance allowance on termination.

3. Limited term special teaching assignments can be credited in a time of difficult staffing opportunities.

4. Teachers or groups of teachers can avail themselves of professional development opportunities which they may not otherwise have obtained from the board.

5. Groups of teachers may benefit from assignments carried out by other teachers, which affect their working environment or working habits.

Board benefits:

1. All costs from the board are up front. There is not future liability to be concerned about.
2. The board gets a benefit from teacher professional development or improved environmental work habits which it may not otherwise be able to afford.
3. Full cost of both the severance allowance and the special fund allocation are considered by the Ministry of Education as being ordinary expenditures. Reserve funds are not.
4. The board knows and can control current and future costs of new employees. With the previous method of retirement gratuity, new employees could transfer in their cumulative sick leave credits from another board."

Revenue Canada is currently reviewing the plan established in the Lincoln County Board of Education for potential tax implications. It is expected that a ruling will be forthcoming in 1992.

Of those boards of education with limited or grandparented retirement gratuities, the London Board of Education, during the 1991 round of negotiations established a Severance Fund or R.R.S.P. fund which provides for a payment to teachers not covered by the grandparented retirement gratuity payment, or those teachers hired after 1 September 1978.

The Key Components of the Group R.R.S.P. are as follows:

1. As the base salary rates are adjusted annually, the rates are increased by 1/3 of 1%. This increased rate becomes the published salary rates in the collective agreement.

2. The employer invests the increased salary, i.e. 1/3 of 1% in a Group R.R.S.P.
3. Each eligible full-time teacher at the time of leaving the employ of the Board shall receive $3,000. plus accumulated interest compounded annually at a rate of the Bank of Canada less 1.0%. Part-time teachers receive $1,500. plus accumulated interest.
4. Each year every employee receives an accounting of the funds which the employer is accumulating and investing on their behalf.
5. These funds are payable to the employee or to their estate upon leaving the employ of the Board.
6. Employees hired prior to 1978 will receive the employer's retirement gratuity or the Group R.R.S.P, whichever is greater when they retire or die.
7. All employees will receive the employer's Group R.R.S.P. upon cessation of employment.
8. Reflected in P.A. calculation on T4 slip.

Advantages to All Employees

1. Not dependent on sick leave;
2. Tax Sheltered Funds under the Income Tax Act;
3. Increases pensionable earnings;
4. Same plan for all employees;
5. Provides a benefit at cessation of employment.

Advantages to Pre-1978 Employees

1. Maintains the gratuity and provides a future guarantee;
2. Provides a benefit even if sick leave is used up.

Advantages to Employer

1. Funded each year;
2. Predictable;
3. Partially funds retirement gratuity.

EXAMPLE:

1. Teacher hired at year 0, category 4 in September 1991 leaves the employ of the Board in the year 2002 will receive 3,726.00.

2. Average teacher hired in 1975 leaves in 2001 and has full sick leave accumulation.

Years of Service	26
Final Salary	$102,655.00
Amount of Benefit to be Paid by the Employer	$ 51,328.00

Source of Funds Provided by Employer:

Group R.R.S.P. (1992-2001)	$ 4,931.00
Top Up (paid by Board)	$ 46,397.00
TOTAL	$ 51,328.00

3. Teacher in example two dies after a lengthy illness and uses up sick leave, their estate will receive OR a teacher who was hired after 1978 and dies with 19 years of service will receive $12,418.00.

(Data provided by the London Board of Education)

Contract Modifications in School Board Collective Agreements

While school boards have not managed, in most cases, to adopt true alternatives to the common practice, a number of modifications to various plans have been made in some jurisdictions in the province.

Since sick leave and retirement gratuities are issues brought to the bargaining table, these changes differ from board to board and represent greater and lesser limits to the financial liability.

The four main areas of modification include the following:

1. Capping of a percentage of the final year's salary e.g.: Atikokan Public Elementary - "Retirement Gratuity not to exceed 40% of the final year's salary"
2. Setting maximum dollar figures for gratuities e.g.: Central Algoma Public Elementary - "The maximum gratuity payable shall not be greater than $15,00.00" or Oxford County - "The maximum gratuity payable shall not be greater than $8,000".
3. Modifying the salary used to calculate the pay-out of the retirement gratuity e.g.: Dufferin County - "Effective September 1, 1986, the maximum Retirement Gratuity payable shall not exceed 50% of the average of the last five years earnings actually received by the individual teacher in the five years prior to retirement"
4. Grandfathering of employees (as of a set date) e.g. Geraldton - "Effective August 31, 1982, the Sick Leave Gratuity Benefits ... will continue in full for all Elementary School Teachers in the Board's employ as at that date. Teachers engaged after August 31, 1982 will not participate in the Plan."

The secondary teachers of the Elgin County Board of Education were on strike for 33 instructional days (as stated earlier in this report) with one of the major issues being the reinstatement of the retirement gratuity provisions. In the settlement reached between the parties, the existing limited gratuity remained unchanged in the collective agreement. The parties agreed that the teachers would assume the cost of the current Long Term Disability benefit, which was being funded by the Board. The Board, in turn, would remit the dollars it had been expending on Long Term Disability to the Branch Affiliate to allow them to attempt to establish a gratuity fund for its teachers.

2.2 SOLUTIONS AND STRATEGIES

If there were easy solutions to this complex problem they would have been adopted by boards before now. The most difficult barrier to workable solutions and successful strategies is the concerted resistance of the teachers federations to change. Any attempt to abolish or seriously modify retirement gratuities without compensation will be resisted strongly. The teacher federations have been very clear that any erosion to the existing retirement gratuity provisions is a strike issue. As well, and evidenced in the Elgin County Board of Education strike, those jurisdictions with limited provisions may be targeted to reinstate full retirement gratuities. Even with adequate compensation, the federations will be sceptical of the boards' reasons for change and will negotiate so forcefully that the boards will have **to be very cautious that the end result is not a worsening of the financial position.**

A. Modifications and Limitations to Retirement Gratuities

The following are examples of possible modifications and limitations to existing retirement gratuities. **These examples are intended to identify and provide some alternatives to the issue of retirement gratuities. Any direction undertaken by individual boards must be examined based on the local conditions and terms of their retirement gratuity provisions.**

1. Grandparenting

   A Board may keep it present plan and fund it as in the past, but establish no plan or a different plan for newly hired employees. This two tier system of employees is popular in the United States where it has been used by many employers to cut costs. However, it would be some time before any savings would be realized since all current employees are still covered, and these current employees would still need to be funded. It is likely, however, that the board establish some for of LTD Allowance or severance allowance for new employees.

Whether this solution would be less costly would depend on the resolve of the board.

2. Freezing or Capping Allowances

It may be possible to negotiate a limitation to freeze the present allowance in current dollars (1991 or 1992). In other words, the 1991 or 1992 grid is used to establish a teacher's gratuity regardless of the year the teacher elects to receive that gratuity. This plan has the advantage of allowing the board to know precisely how much it will have to pay out in the future. However, it is unlikely the teacher federations would accept this type of settlement without some sort of quid pro quo pay-out, and lengthy negotiations.

3. Setting a Fixed Amount

A variation of number 2. would be to use a fixed dollar amount in place of grid generated dollars. For example, the maximum pay-out could be set at $10,000 (or some agreed to figure) regardless of grid or number of days accumulated sick leave.

4. Capping at the 90 Factor

A slightly different version of number 2. and 3. would be to cap the allowance at the amount received when the teacher reaches the ninety factor. No matter how much longer the teacher may teach, the gratuity would not change. This modification would have the added benefit of serving as a retirement incentive plan. It would limit costs to some extent but would not be a great money-saver. It might, however, be more readily negotiable with the federations.

5. Modify Current Provisions

Modifications to existing provisions within collective agreement would limit the conditions for which a teacher become eligible to receive a retirement gratuity. The following are examples of some modifications, but are not intended to be all inclusive of provisions which currently exist in collective agreements:

a) limit the number of days sick leave which can be used to calculate a retirement gratuity;
b) the maximum number of days for sick leave used to calculate the gratuity could be reduced by the number of special or personal leave days used by the teacher throughout the years of employment;
c) language which provides for continuous years of service with a specific school board;
d) provide that an individual be in receipt of a pension rather than eligible for a pension in order to receive a gratuity;
e) the gratuity could be based on the actual salary received in the final year of teaching, rather than the rate of salary;
f) provide for language to limit sick leave transferred from another board as not countable towards retirement gratuity. This provision must state that earned sick leave with the board will be deducted prior to sick leave from a sending board.

These options, and others which may be appropriate to individual agreements, may have the affect of some limitations to the boards liability to retirement gratuities.

6. Legislative Changes

A more sweeping change would be to remodel the whole sick leave plan along the line of the one now in effect for provincial civil servants. This would change current legislation to reduce the number

of sick leave days from the present (for example 20 to 6), and then reducing the pay of those who are absent for more than 6 days a year. This would save costs.

7. Long Term Disability Plans

If option 5. could be achieved, some type of L.T.D. plan should be introduced to replace the loss of accumulated sick leave days. (This was the course followed by the province.) If a Board does not presently have a L.T.D. plan and unless such a plan was to be funded by the teachers, it would be an additional cost over present costs. In addition, some type of severance cum retirement gratuity plan could be considered.

For example, the province of Ontario has a severance pay plan which provides for a week's pay for every year worked up to a maximum of one-half year's salary. The main difference between this plan and the one currently in effect in school boards is that the severance allowance is payable after 5 years while the board retirement gratuity is payable, in some cases, only on retirement. Over the course of a number of years, the inclusion of a severance allowance plan could exceed the cost of a retirement allowance plan.

8. Reserve Funds

A short-term action to reduce the annual financial burden is the creation of a reserve fund. This route has been adopted by some boards unable, or unwilling, to negotiate modification or alternatives. However, a reserve fund is, at best, a short-term strategy, not an effective solution. It will not change the status quo.

While the Education Act permits such reserves (up to a limit) the funds cannot be recognized for grants since they do not fall in the category of recognized ordinary expenditures.

As well, the reserve fund would have to be exceedingly large to cover the unfunded liability into the future when the demands in the form of pay-outs, necessitating the allocation of additional funds from current revenues, or dipping into the base itself reducing the investment.

While a reserve fund could be considered a financially responsible course of action, it is not a realistic long-term solution, nor will it alone, bring about changes to the present situation.

NOTE: **As reported in the October issue of Client Update, by the firm of Hicks, Morley, Hamilton, Stewart, and Storie, "A recent Divisional Court has ruled that where a school board has limited its obligations to employees over fifty-five years of age for retirement gratuity purposes, the Board has acted contrary to the Human Rights Code.**

Boards of education, with such a provision, may wish to seek legal counsel prior to any amendments to the collective agreement provisions concerning the above noted decision.

B. Support to Resist Reinstatement of Retirement Gratuity Plans

The teacher federations are actively seeking to reinstate limited or grandparented retirement gratuity plans, as evidenced in the 1991 Elgin County Board of Education strike. Approximately 25% of elementary collective agreements and 15% of secondary collective agreement in public boards of education have provisions which limit retirement gratuities.

Board of education, since bill 100 was enacted in 1975, have for the most part "stood alone" when sanctions occur at the local level. Two main factors have

contributed to this situation. First, it is believed that pressure is brought to bare on both parties when student instructional time is lost and public pressure to resolve the difficulties occurs. Second, because of protracted negotiations with teacher groups, many jurisdictions are involved in negotiations with their local federation, and support to another board may increase the difficulties to resolve contract disputes locally. Boards of education must determine strategies, in the interest of local situations when making such decisions.

Unions, on the other hand, have the ability to show total provincial support to colleagues engaged in legal sanctions.

In the case of the Elgin County Board of Education, the dispute was narrowed to essentially two issues, salary and reinstatement of retirement gratuity. In November, OPSBA communicated with member boards requesting that they write to the Elgin County Board of Education to support the positions taken by the Board. Further, some area boards of education accepted OAC students from Elgin County on a tuition basis. The Western Region Collective Bargaining Committee also issued a press release indicating support of the Elgin County position on retirement gratuities.

To establish a concerted effort on the issue of retirement gratuity, it will be necessary to ensure that no further erosion of existing plans occur. The following strategies are recommended in the event sanctions occur in a board of education to reinstate retirement gratuities:

A. **THAT OPSBA communicate with the board of education facing sanctions, resulting from the issue of reinstatement of retirement gratuity, to determine the level of support the board feels it requires.**

B. **THAT OPSBA communicate to member boards the level of support which is being requested.**

C. **THAT member boards determine and implement the level of support which they deem appropriate.**

Examples of Support

1. Communication between boards indicating moral support during sanctions. (e.g. letter);

2. Where appropriate, following consultation with the board facing sanctions, press releases indicating support. (e.g. within region or by neighbouring board);

3. Acceptance of students on a tuition/fee basis during sanctions;

4. Communicate and review impact of potential revisions at the local level to determine impact of neighbouring or regional boards.

3.0

CONCLUSIONS

CONCLUSIONS

There is no simple strategy available to boards who want to eliminate retirement gratuity plans, as they now exist, from their collective agreements. Equally difficult, is the required support for those boards who will come under pressure to reinstate retirement gratuity provisions. However, when one examines the rational for the establishment of retirement gratuities (illness protection and pension provisions) and the rapid rate of growth of the often unfunded liability is considered, along with the increases in the number of teaching and non-teaching staff eligible to retire in the near future, the cost involved must be cause for concern.

Employee benefit plans which provide adequate protection for illness and help insure future financial security at an affordable cost are in place in the private and public sectors now. These are the types of schemes - modified, of course, to suit the educational system - that should be considered and brought before employees at the bargaining table.

The local taxpayers bear the full share of these costs and, in many jurisdictions, have become increasingly vocal about education dollars and how they are being spent. The majority of these rate-payers are not employed in the educational system, and subsequently are not afforded the same type or level of gratuity on retirement. School boards will find themselves under strong pressure to take action to modify or eliminate current plans to meet the ability - and willingness - of the taxpayer to fund such service gratuities.

School boards should begin now to make retirement gratuities a bargaining issue with their employee groups. A concerted effort by boards to bring about changes - in the form of modifications to start with, followed by replacement with more effective and affordable plans - will help bring much needed revision to an outdated and expensive system.

Many alternatives, however, may not be cost effective in relationship to existing plans and board of education must use caution when determining options appropriate to the existing provisions contained in collective agreements.

Only through a concerted effort and increased public awareness will a solution be found.

4.0

RECOMMENDATIONS

RECOMMENDATIONS

4.1 THAT MEMBER BOARDS EXAMINE THE ISSUE OF RETIREMENT GRATUITY AND FUTURE IMPACT TO THE BOARD.

4.2 THAT MEMBER BOARDS RESOLVE THAT SOME LIMITATION TO THE EXISTING GRATUITY MUST BE ACHIEVED WITH ITS VARIOUS EMPLOYEE GROUPS.

4.4 THAT MEMBER BOARDS SUPPORT BOARDS OF EDUCATION WHO ARE ATTEMPTING TO RETAIN LIMITED RETIREMENT GRATUITY PROVISIONS.

4.5 THAT OPSBA MONITOR THE ISSUE OF RETIREMENT GRATUITIES DURING NEGOTIATIONS AND COMMUNICATE TO MEMBER BOARDS REGARDING THE STATUS LOCALLY, IN VARIOUS REGIONS AND PROVINCIALLY.

4.6 THAT OPSBA ASCERTAIN MEMBER BOARD INTEREST IN AN ORGANIZATION WIDE APPROACH FOR 1993 NEGOTIATIONS.

The following documents are referenced in the preparation of this report:

The Association of Large School Boards of Ontario - Report of the Task Force on Retirement Gratuities, February, 1986

The Ontario Public School Trustees' Association - Policy Committee Report, August, 1986

Correspondence and Reports to OPSTA from Member Boards - August, 1979 to January, 1987

Correspondence and Reports to OPSBA from Member Boards - 1989 to 1991

Eastern and Western Region Collective Bargaining Committee Reports on Retirement Gratuity, October, 1991.

Arbitration Award between the Ontario Council of Regents for Colleges of Applied Arts and Technology and Ontario Public Service Employees' Union, November 28, 1989.